

# **CASS COUNTY ROAD COMMISSION**

**(a Component Unit of Cass County)**

**Cassopolis, Michigan**

## **FINANCIAL STATEMENTS**

**For The Year Ended September 30, 2008**

**CASS COUNTY ROAD COMMISSION**  
**(a Component Unit of Cass County)**

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**INDEPENDENT AUDITORS' REPORT**

February 26, 2009

Members of the Board of County  
Road Commissioners  
County of Cass, Michigan  
Cassopolis, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the **CASS COUNTY ROAD COMMISSION**, a component unit of Cass County, Michigan, as of and for the year ended September 30, 2008, which collectively comprise the Road Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Cass County Road Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **Cass County Road Commission** as of September 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the general operating fund and the parks fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2009, on our consideration of Cass County Road Commissions' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the Road Commission's basic financial statements. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the **Cass County Road Commission**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As Management of the Cass County Road Commission, we offer the readers of the Road Commission's financial statement this narrative overview and analysis of the financial activities of the Road Commission for the fiscal year ended September 30, 2008.

### **Financial Highlights**

This report is provided as outlined in Statement No. 34 as directed by the Governmental Accounting Standards Board (GASB). The GASB is charged with developing generally accepted accounting principles (GAAP) for governmental entities and is the ultimate authority of GAAP for state and local governments. Reporting as provided in Statement No. 34 reflects the inclusion of the value of "Infrastructure" in the county of Cass. Infrastructure as defined by GASB 34 includes the cost of bridges (spans of over 20'), gravel roads, paved roads, construction of roads and traffic signals, less the applicable depreciation.

Net assets may, over time, enable governmental agencies to determine their overall fiscal position. The Road Commission's net assets exceeded liabilities by \$31,054,679 at the end of the 2008 fiscal year. Net assets, however, must be understood to include all assets of the governmental entity, and may include significant capital improvements that are not exchangeable. For the Cass County Road Commission all public infrastructure in the right-of-way is included in this category, and includes pavements, gravel, bridges, pipes, guardrail, signs, etc...

### **Overview of the Financial Statements**

This discussion and analysis is intended to provide a basis of understanding the Road Commission's basic financial statements. These statements comprise three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional informational purposes.

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the statement of net assets and general fund balance sheet on a single page and the statement of activities and general fund revenues, expenditures and changes in fund balance on a single page. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Statements**

The statement of net assets presents information on all the Commission's assets and liabilities, with the difference between the two reported *as net assets*. Over time, increases or decreases in net assets may serve as an indicator of the Commission's overall fiscal position.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Both of the component unit financial statements distinguish the function of the Commission which is principally supported by state shared revenues (operating grants). The governmental activities of the Commission include providing construction, repair, maintenance and snow removal of primary and local roads, local roadside parks and Dodd Park within Cass County, as well as the operation of parks owned by the County of Cass.

The government-wide financial statements include the Commission and the County Park Fund. In this report, financial information for the Commission is reported separately from the financial information presented for Cass County which reports the Commission as a component unit.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Commission is accounted for in a governmental fund (General Fund) and the activity of the county owned parks is accounted for in the special revenue fund (Parks).

**Governmental funds.** *Governmental funds* (General Fund) are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, general fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal period. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the fund level statement of revenues, expenditures, and changes in fund balances with the provided reconciliations to the government-wide financial statements in order to facilitate this comparison between the funds and the government-wide statements.

The Commission maintains two government funds (the General Fund and the Parks Fund). Information is presented in the governmental funds balance sheet and in the general fund statement of revenues, expenditures, and changes in fund balances. The general fund is a major fund and the park fund is a non-major fund for financial reporting purposes as defined by GASB Statement #34.

The Commission adopts an annual appropriated budget for the general fund and parks fund. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The Commission does not maintain proprietary nor fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Commission's financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also present certain *required supplementary information*. This is limited to this management discussion and analysis.

Comparative analysis of the government-wide data is presented in this report with the previous fiscal period's data.

| <b>Condensed Statement of Net Assets:</b> | <b><u>2007</u></b>          | <b><u>2008</u></b>          |
|---|-----------------------------|-----------------------------|
| Current and other assets                  | \$ 4,100,730                | \$ 3,250,195                |
| Capital assets                            | <u>38,397,239</u>           | <u>36,459,047</u>           |
| <b>Total assets</b>                       | <b>42,497,969</b>           | <b>39,709,242</b>           |
| Long-term liabilities outstanding         | 7,485,367                   | 7,559,669                   |
| Other liabilities                         | <u>1,038,184</u>            | <u>1,094,894</u>            |
| <b>Total liabilities</b>                  | <b>8,523,551</b>            | <b>8,654,563</b>            |
| <b>Net assets:</b>                        |                             |                             |
| Invested in capital assets                | 31,057,239                  | 28,627,218                  |
| Unrestricted                              | <u>2,917,179</u>            | <u>2,427,461</u>            |
| <b>Total net assets</b>                   | <b><u>\$ 33,974,418</u></b> | <b><u>\$31,054,679</u></b>  |
| <b>Condensed Statement of Activities:</b> |                             |                             |
|   | <b><u>2007</u></b>          | <b><u>2008</u></b>          |
| <b>Revenue</b>                            |                             |                             |
| Charges for services                      | \$ 1,249,522                | \$ 1,229,039                |
| Operating grants and contributions        | 5,902,179                   | 5,210,707                   |
| Capital grants and contributions          |                             |                             |
| Interest revenue                          | <u>134,202</u>              | <u>90,162</u>               |
| <b>Total revenue</b>                      | <b><u>7,285,903</u></b>     | <b><u>6,529,908</u></b>     |
| <b>Expenses</b>                           |                             |                             |
| Public Works                              | 6,280,918                   | 8,916,542                   |
| Debt Service - Interest only              | <u>326,227</u>              | <u>533,105</u>              |
| <b>Total expenses</b>                     | <b><u>6,607,145</u></b>     | <b><u>9,449,647</u></b>     |
| <b>Increase/(Decrease) in Net Assets</b>  | <b><u>\$ 678,758</u></b>    | <b><u>(\$2,919,739)</u></b> |



| <b>Capital Assets and Debt Administration</b>       | <b><u>2007</u></b>         | <b><u>2008</u></b>         |
|---|----------------------------|----------------------------|
| <b>Capital Assets</b>                               |                            |                            |
| Land - not depreciated                              | \$ 92,146                  | \$ 92,146                  |
| Infrastructure (Land improvements not depreciated)  | <u>10,594,971</u>          | <u>10,648,563</u>          |
| <b>Sub-total</b>                                    | <b><u>10,687,117</u></b>   | <b><u>10,740,709</u></b>   |
| Land improvements (depreciated)                     | 661,340                    | 661,340                    |
| Buildings   | 7,493,262                  | 7,482,310                  |
| Road equipment                                      | 8,023,435                  | 8,402,635                  |
| Shop equipment                                      | 205,901                    | 205,901                    |
| Office equipment                                    | 234,958                    | 237,079                    |
| Engineering equipment                               | 48,829                     | 48,829                     |
| Yard & Storage equipment                            | 168,189                    | 168,189                    |
| Depleteable assets                                  | 603,771                    | 603,771                    |
| Infrastructure                                      | <u>44,028,646</u>          | <u>45,797,801</u>          |
| <b>Sub-total</b>                                    | <b><u>61,468,331</u></b>   | <b><u>63,607,855</u></b>   |
| <b>Accumulated Depreciation</b>                     |                            |                            |
| Land improvements (depreciated)                     | 256,812                    | 412,117                    |
| Buildings and improvements                          | 1,153,591                  | 1,738,725                  |
| Equipment   | 7,148,111                  | 7,783,108                  |
| Depleteable assets                                  | 73,463                     | 73,463                     |
| Infrastructure                                      | <u>22,845,762</u>          | <u>27,882,104</u>          |
| <b>Total accumulated depreciation</b>               | <b><u>33,758,209</u></b>   | <b><u>37,889,517</u></b>   |
| <b>Total capital assets being depreciated - net</b> | <b><u>27,710,122</u></b>   | <b><u>25,718,338</u></b>   |
| <b>Governmental activities capital assets - net</b> | <b><u>\$38,397,239</u></b> | <b><u>\$36,459,047</u></b> |

Infrastructure additions of \$1,822,747 were added during the year ended September 30, 2008.

**Long-term Debt**

|                           |                            |                            |
|---------------------------|----------------------------|----------------------------|
| Bonds payable             | \$ 7,340,000               | \$ 7,255,000               |
| Deferred amount           |                            | ( 48,504)                  |
| Installment loans payable |                            | 625,333                    |
| Compensated absences      | <u>145,367</u>             | <u>139,934</u>             |
| <b>Total</b>              | <b><u>\$ 7,485,367</u></b> | <b><u>\$ 7,971,763</u></b> |

During 2008 the Road Commission refinanced \$3,285,000 of its 2002 bonds to reduce total debt service expenditures over the next 19 years by \$169,731 and resulted in an economic gain of \$121,483.

## **Economic Factors and Road Fund Budgetary Highlights**

The Road Commission amended its FY 2008 budget reflecting improved operations of \$500,000 for the year. The Amended Budget reflected an increase in local road projects which resulted in higher revenue of \$1,200,000 from local sources offset by increased project costs of \$860,000 reducing the original budgeted loss by \$340,000. The remaining improvement in the Amended Budget was due to lower capital equipment expenditures to be purchased than originally budgeted.

As costs continue to escalate beyond revenues various work and equipment purchases will be put off to cover basic employee costs and benefits. Reductions in public service will need to be examined to determine which services are required and which are simply desired in order to limit the exposure to reduced revenues, and move towards a balanced budgetary position.

## **Requests for information**

This financial report is designed to provide a general overview of Commission finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Cass County Road Commission, PO Box 68, Cassopolis MI 49031.

## **BASIC FINANCIAL STATEMENTS**

# CASS COUNTY ROAD COMMISSION

## STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

**SEPTEMBER 30, 2008**

|   | <u>Major Funds</u>         |                          | <u>Total</u>               |                             |                             |
|---|----------------------------|--------------------------|----------------------------|-----------------------------|-----------------------------|
|   | <u>General</u>             | <u>Parks</u>             | <u>Governmental</u>        | <u>Adjustments</u>          | <u>Statement</u>            |
| <b>ASSETS</b>                                     | <b>Operating</b>           |                          | <b>Funds</b>               |                             | <b>of Net Assets</b>        |
| Cash and cash equivalents                         | \$ 1,407,119               | \$ 244,766               | \$ 1,651,885               | \$ -                        | \$ 1,651,885                |
| Accounts receivable                               |                            |                          |                            |                             |                             |
| Motor vehicle highway funds                       | 766,816                    | -                        | 766,816                    | -                           | 766,816                     |
| Other   | 2,490                      |                          | 2,490                      | -                           | 2,490                       |
| Due from other funds                              | -                          | 131,111                  | 131,111                    | (131,111)                   | -                           |
| Inventories                                       |                            |                          |                            |                             |                             |
| Road materials                                    | 158,635                    | -                        | 158,635                    | -                           | 158,635                     |
| Equipment material and parts                      | 148,460                    | -                        | 148,460                    | -                           | 148,460                     |
| Prepaid items                                     | 521,909                    | -                        | 521,909                    | -                           | 521,909                     |
| Capital assets                                    |                            |                          |                            |                             |                             |
| Assets not being depreciated                      | -                          | -                        | -                          | 10,740,709                  | 10,740,709                  |
| Assets being depreciated                          | -                          | -                        | -                          | 25,718,338                  | 25,718,338                  |
| <b>Total assets</b>                               | <b><u>\$ 3,005,429</u></b> | <b><u>\$ 375,877</u></b> | <b><u>\$ 3,381,306</u></b> | <b><u>36,327,936</u></b>    | <b><u>39,709,242</u></b>    |
| <b>LIABILITIES</b>                                |                            |                          |                            |                             |                             |
| Accounts payable                                  | \$ 97,389                  | \$ 3,519                 | \$ 100,908                 | \$ -                        | \$ 100,908                  |
| Accrued liabilities                               | 71,270                     | 731                      | 72,001                     | 204,325                     | 276,326                     |
| Advances from townships                           | 59,434                     | -                        | 59,434                     | -                           | 59,434                      |
| Escrow deposits                                   | 15,096                     | 231,036                  | 246,132                    | -                           | 246,132                     |
| Due to other funds                                | 131,111                    | -                        | 131,111                    | (131,111)                   | -                           |
| Long-term liabilities                             |                            |                          |                            |                             |                             |
| Due within one year                               | -                          | -                        | -                          | 412,094                     | 412,094                     |
| Due after one year                                | -                          | -                        | -                          | 7,559,669                   | 7,559,669                   |
| <b>Total liabilities</b>                          | <b><u>374,300</u></b>      | <b><u>235,286</u></b>    | <b><u>609,586</u></b>      | <b><u>8,044,977</u></b>     | <b><u>8,654,563</u></b>     |
| <b>Fund Balance/Net Assets</b>                    |                            |                          |                            |                             |                             |
| Fund balance                                      |                            |                          |                            |                             |                             |
| Reserved for                                      |                            |                          |                            |                             |                             |
| Inventories                                       | 307,095                    | -                        | 307,095                    | (307,095)                   | -                           |
| Prepaid items                                     | 521,909                    | -                        | 521,909                    | (521,909)                   | -                           |
| Unreserved,                                       |                            |                          |                            |                             |                             |
| Undesignated                                      | 1,802,125                  | 140,591                  | 1,942,716                  | (1,942,716)                 | -                           |
| <b>Total fund balance</b>                         | <b><u>2,631,129</u></b>    | <b><u>140,591</u></b>    | <b><u>2,771,720</u></b>    | <b><u>(2,771,720)</u></b>   | <b><u>-</u></b>             |
| <b>Total liabilities and fund balance</b>         | <b><u>\$ 3,005,429</u></b> | <b><u>\$ 375,877</u></b> | <b><u>\$ 3,381,306</u></b> |                             |                             |
| <b>Net Assets:</b>                                |                            |                          |                            |                             |                             |
| Investment in capital assets, net of related debt |                            |                          |                            | 28,627,218                  | 28,627,218                  |
| Unrestricted                                      |                            |                          |                            | 2,427,461                   | 2,427,461                   |
| <b>Total net assets</b>                           |                            |                          |                            | <b><u>\$ 31,054,679</u></b> | <b><u>\$ 31,054,679</u></b> |

The accompanying notes are an integral part of these financial statements.

# CASS COUNTY ROAD COMMISSION

## Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets

SEPTEMBER 30, 2008

|   |                      |
|---|----------------------|
| Fund balances - governmental funds  | \$ 2,771,720         |
| Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:                                     |                      |
| Add: Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                  | 36,459,047           |
| Long - term liabilities are not due and payable in the current period and are not reported in the funds:                                      |                      |
| Deduct: Bonds payable   | (7,255,000)          |
| Deduct: Capital leases payable  | (625,333)            |
| Add: Deferred amount on bond refunding  | 48,504               |
| Certain liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds: |                      |
| Deduct - accrued interest payable   | (204,325)            |
| Deduct - compensated absences payable   | (139,934)            |
| Net assets of governmental activities   | <u>\$ 31,054,679</u> |

The accompanying notes are an integral part of these financial statements.

# CASS COUNTY ROAD COMMISSION

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

|   | <u>Major Funds</u>  |                   | <u>Total</u>        |                      |                      |
|---|---------------------|-------------------|---------------------|----------------------|----------------------|
|   | <u>General</u>      |                   | <u>Governmental</u> |                      | <u>Statement of</u>  |
|   | <u>Operating</u>    | <u>Parks</u>      | <u>Funds</u>        | <u>Adjustments</u>   | <u>Activities</u>    |
| <b>EXPENDITURES/EXPENSES</b>                |                     |                   |                     |                      |                      |
| Current:                                    |                     |                   |                     |                      |                      |
| Public works                                | \$ 6,883,561        | \$ 100,222        | \$ 6,983,783        | \$ 1,932,759         | \$ 8,916,542         |
| Debt service:                               |                     |                   |                     |                      |                      |
| Principal                                   | 340,407             | -                 | 340,407             | (340,407)            | -                    |
| Interest                                    | 326,227             | -                 | 326,227             | 206,878              | 533,105              |
| <b>TOTAL EXPENDITURES/EXPENSES</b>          | <u>7,550,195</u>    | <u>100,222</u>    | <u>7,650,417</u>    | <u>1,799,230</u>     | <u>9,449,647</u>     |
| <b>PROGRAM REVENUES</b>                     |                     |                   |                     |                      |                      |
| Charges for services                        | 1,208,915           | 20,124            | 1,229,039           | -                    | 1,229,039            |
| Operating grants and contributions          | 5,120,707           | 90,000            | 5,210,707           | -                    | 5,210,707            |
| <b>TOTAL PROGRAM REVENUES</b>               | <u>6,329,622</u>    | <u>110,124</u>    | <u>6,439,746</u>    | <u>-</u>             | <u>6,439,746</u>     |
| <b>NET PROGRAM REVENUES (EXPENSES)</b>      |                     |                   |                     |                      | <u>(3,009,901)</u>   |
| <b>GENERAL REVENUES</b>                     |                     |                   |                     |                      |                      |
| Interest revenue                            | 90,162              | -                 | 90,162              | -                    | 90,162               |
| <b>NET CHANGE IN FUND BALANCES</b>          | <u>(1,130,411)</u>  | <u>9,902</u>      | <u>(1,120,509)</u>  | <u>1,120,509</u>     | <u>-</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                     |                   |                     |                      |                      |
| Proceeds from bond issuance                 | 3,430,000           | -                 | 3,430,000           | (3,430,000)          | -                    |
| Premium on bond issuance                    | 26,389              | -                 | 26,389              | (26,389)             | -                    |
| Payment to bond escrow agent                | (3,362,446)         | -                 | (3,362,446)         | 3,362,446            | -                    |
| Proceeds from capital leases                | 735,740             | -                 | 735,740             | (735,740)            | -                    |
| Total other financing sources               | <u>829,683</u>      | <u>-</u>          | <u>829,683</u>      | <u>(829,683)</u>     | <u>-</u>             |
| <b>CHANGE IN NET ASSETS</b>                 | <u>(300,728)</u>    | <u>9,902</u>      | <u>(290,826)</u>    | <u>(2,919,739)</u>   | <u>(2,919,739)</u>   |
| <b>FUND BALANCE/NET ASSETS,</b>             |                     |                   |                     |                      |                      |
| Beginning of year                           | 2,931,857           | 130,689           | 3,062,546           | 30,911,872           | 33,974,418           |
| <b>FUND BALANCE/NET ASSETS, End of year</b> | <u>\$ 2,631,129</u> | <u>\$ 140,591</u> | <u>\$ 2,771,720</u> | <u>\$ 27,992,133</u> | <u>\$ 31,054,679</u> |

The accompanying notes are an integral part of these financial statements.

## CASS COUNTY ROAD COMMISSION

### Reconciliation of the Governmental Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

FOR THE YEAR ENDED SEPTEMBER 30, 2008

|  |              |
|--|--------------|
| Net change in fund balances - governmental funds | \$ (290,826) |
|--|--------------|

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|   |             |
|---|-------------|
| Add - non-depreciable land improvements     | 53,592      |
| Add - depreciable capital outlay            | 2,552,562   |
| Deduct - depreciation expense               | (4,548,180) |
| Add - equipment retirements and adjustments | 3,834       |

Bond and capital lease proceeds provide current financial resources in the period issued, whereas issuing bonds and lease borrowing increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the funds but not in the statement of activities

|   |             |
|---|-------------|
| Add - capital lease payments                          | 110,407     |
| Add - bond principal payments                         | 230,000     |
| Deduct - proceeds from bond issuance                  | (3,456,389) |
| Deduct - proceeds from capital leases                 | (735,740)   |
| Add - payment to refunding bond escrow agent          | 3,362,446   |
| Deduct - amortization of deferred amount on refunding | (2,553)     |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

|   |           |
|---|-----------|
| Deduct - increase in accrued interest payable | (204,325) |
| Add - decrease in compensated absences        | 5,433     |

|   |                       |
|---|-----------------------|
| Change in net assets of governmental activities | <u>\$ (2,919,739)</u> |
|---|-----------------------|

The accompanying notes are an integral part of these financial statements.

# CASS COUNTY ROAD COMMISSION

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL OPERATING FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance          |
|--|---------------------|---------------------|---------------------|-------------------|
| REVENUE  |                     |                     |                     |                   |
| Permits  | \$ 30,000           | \$ 14,524           | \$ 43,649           | \$ 29,125         |
| Intergovernmental:                             |                     |                     |                     |                   |
| State sources                                  | 4,671,257           | 4,672,380           | 4,548,058           | (124,322)         |
| Federal sources                                | 599,800             | 453,829             | 572,649             | 118,820           |
| Local sources                                  | 335,000             | 1,521,181           | 1,100,537           | (420,644)         |
| Charges for services                           | 34,000              | 7,130               | 5,260               | (1,870)           |
| Interest and rentals                           | 26,552              | 82,675              | 90,162              | 7,487             |
| Other  | 56,250              | 116,859             | 59,469              | (57,390)          |
| <b>TOTAL REVENUE</b>                           | <b>5,752,859</b>    | <b>6,868,578</b>    | <b>6,419,784</b>    | <b>(448,794)</b>  |
| EXPENDITURES                                   |                     |                     |                     |                   |
| Current:                                       |                     |                     |                     |                   |
| Construction                                   | 262,000             | 485,930             | 204,453             | (281,477)         |
| Primary structural improvements                | 280,000             | 226,401             | 232,063             | 5,662             |
| Local structural improvements                  | 586,000             | 1,448,269           | 1,334,429           | (113,840)         |
| Primary maintenance                            | 1,346,500           | 1,327,654           | 1,384,896           | 57,242            |
| Local maintenance                              | 2,553,000           | 2,768,277           | 2,625,014           | (143,263)         |
| Equipment - net                                | 530,000             | 44,428              | 224,659             | 180,231           |
| Administrative - net                           | 829,500             | 816,341             | 834,843             | 18,502            |
| Traffic control                                | 195,000             | 159,311             | 159,322             | 11                |
| Other  | 108,000             | 292,021             | 286,559             | (5,462)           |
| Capital outlay - net                           | 381,418             | (133,654)           | (242,997)           | (109,343)         |
| Debt service                                   | 721,119             | 951,119             | 506,954             | (444,165)         |
| <b>TOTAL EXPENDITURES</b>                      | <b>7,792,537</b>    | <b>8,386,097</b>    | <b>7,550,195</b>    | <b>(835,902)</b>  |
| EXCESS OF REVENUE OVER<br>(UNDER) EXPENDITURES | (2,039,678)         | (1,517,519)         | (1,130,411)         | 387,108           |
| OTHER FINANCING SOURCES (USES)                 |                     |                     |                     |                   |
| Proceeds from bond issuance                    | -                   | 3,430,000           | 3,430,000           | -                 |
| Premium on bond issuance                       | -                   | 26,389              | 26,389              | -                 |
| Payment to bond escrow agent                   | -                   | (3,362,446)         | (3,362,446)         | -                 |
| Proceeds from capital leases                   | 761,418             | 735,740             | 735,740             | -                 |
| Total other financing sources                  | 761,418             | 829,683             | 829,683             | -                 |
| <b>NET CHANGE IN NET ASSETS</b>                | <b>(1,278,260)</b>  | <b>(687,836)</b>    | <b>(300,728)</b>    | <b>387,108</b>    |
| FUND BALANCE, Beginning of year                | 2,931,857           | 2,931,857           | 2,931,857           | -                 |
| <b>FUND BALANCE, End of year</b>               | <b>\$ 1,653,597</b> | <b>\$ 2,244,021</b> | <b>\$ 2,631,129</b> | <b>\$ 387,108</b> |

The accompanying notes are an integral part of these financial statements.



# CASS COUNTY ROAD COMMISSION

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL PARKS FUND

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

|                                 | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>            | <u>Variance</u>         |
|---------------------------------|----------------------------|-------------------------|--------------------------|-------------------------|
| REVENUE                         |                            |                         |                          |                         |
| Intergovernmental:              |                            |                         |                          |                         |
| Local sources                   | \$ 90,000                  | \$ 90,000               | \$ 90,000                | \$ -                    |
| Charges for services            | 25,020                     | 25,020                  | 20,124                   | (4,896)                 |
| Interest                        | 1,200                      | 1,200                   | -                        | (1,200)                 |
|                                 | <u>116,220</u>             | <u>116,220</u>          | <u>110,124</u>           | <u>(6,096)</u>          |
| TOTAL REVENUE                   | <u>116,220</u>             | <u>116,220</u>          | <u>110,124</u>           | <u>(6,096)</u>          |
| EXPENDITURES                    |                            |                         |                          |                         |
| Current:                        |                            |                         |                          |                         |
| Public works                    | 148,550                    | 148,550                 | 100,222                  | (48,328)                |
|                                 | <u>148,550</u>             | <u>148,550</u>          | <u>100,222</u>           | <u>(48,328)</u>         |
| NET CHANGE IN FUND BALANCE      | (32,330)                   | (32,330)                | 9,902                    | 42,232                  |
| FUND BALANCE, Beginning of year | <u>130,689</u>             | <u>130,689</u>          | <u>130,689</u>           | <u>-</u>                |
| FUND BALANCE, End of year       | <u><u>\$ 98,359</u></u>    | <u><u>\$ 98,359</u></u> | <u><u>\$ 140,591</u></u> | <u><u>\$ 42,232</u></u> |

The accompanying notes are an integral part of these financial statements.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cass County Road Commission (the “Road Commission”) conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

#### **Reporting Entity**

The Cass County Road Commission, referred to as the Road Commission, is a discrete component unit of the County of Cass, Michigan. The Road Commission was established pursuant to the county road law (MCL 224.1), and is governed by a three member Board of County Road Commissioners appointed by the County Board of Commissioners.

The criteria established by the Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity”, for determining the reporting entity includes having significant financial or operational relationships. Based on the above criteria, these financial statements present the Cass County Road Commission, a discretely presented component unit of Cass County, and include the Road Commission General Operating Fund and Parks Fund.

The Road Commission General Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners has responsibility for the administration of the Road Commission’s General Operating Fund.

#### **Basis of Presentation**

##### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. *Governmental activities* are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

As permitted by GASB Statement No. 34, the Road Commission uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **Measurement Focus Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements (statement of net assets and the statement of activity) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

State and grant revenue, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

The County *parks fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for County park operations.

### **Budgetary Data**

All governmental funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), which is the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved or as amended by the Board of County Road Commissioners. Budgets for the General Operating and Special Revenue Funds are adopted on a functional basis. Excess expenditures over budget at this level are disclosed on the Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – for the general and parks funds.

### **Cash and Cash Equivalents**

Amounts reported as cash and cash equivalents include bank checking, savings and certificate of deposit accounts.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **Inventory**

Inventory consists of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first-in, first-out method, except for road materials, which are determined on the average cost method, and are not in excess of fair value.

### **Prepaid Items**

Payments made to vendors for services that will benefit future periods are recorded as prepaid items.

### **Fund Balance Reservations**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation.

### **Capital Assets**

Capital assets, which include property, equipment and infrastructure assets (roads, bridges and similar items) are reported in the government-wide statements. The Road Commission defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of general fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund column.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

| <b><u>Asset Category</u></b> | <b><u>Useful Life<br/>in Years</u></b> |
|------------------------------|--|
| Buildings and improvements   | 40                                     |
| Equipment                    | 5 to 8                                 |
| Infrastructure               | 8 to 50                                |

# **CASS COUNTY ROAD COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Deferred Compensation Plan**

The Road Commission offers its employees a deferred compensation plan created in accordance with IRS section 457. The plan, available to all salaried Commission employees, permits them to defer a portion of their current salary until future years. A trust has been established for the plan assets and the related assets and liability are not included in the Road Commission's financial statements.

### **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. Significant bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. As permitted by GASB Statement No. 34, the Road Commission has elected to apply the provisions related to bond premiums, discounts, and issuance costs on a prospective basis.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Compensated Absences**

Full-time Road Commission employees are granted vacation pay in varying amounts based on length of service. A maximum vacation time of thirty (30) days may be accumulated and allowed to be carried over for hourly employees. Salaried employees are not allowed to carry over vacation hours. Accumulated unpaid vacation pay amounts are 100% vested and are accrued when incurred in the government-wide financial statements. Additionally, full-time employees are entitled one day sick pay per month worked. Effective July 1, 1995, any employee who has an accumulation of more than thirty (30) sick days at June 30, shall be paid (50) percent for those sick days in excess of 30.

Payment will be made the first pay date in July using the employee's hourly pay rate in effect at June 30 of that year. Upon retirement, the employee shall receive fifty (50) percent of accumulated sick days. If an employee dies in the course of employment, the designated beneficiary of the deceased receives 100% of accumulated sick days. There is no liability for terminations other than retirement or death.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 2. CASH DEPOSITS AND INVESTMENTS

#### Deposits

At September 30, 2008, the amounts of the Road Commission's deposits were as follows:

|  |                            |
|--|----------------------------|
| Petty cash   | \$ 1,000                   |
| Bank deposits (checking and savings accounts)  | 370,625                    |
| Held by Cass County (bank deposits, including checking accounts and certificates of deposit) | <u>1,280,260</u>           |
|  | <u><b>\$ 1,651,885</b></u> |

Statutes authorize the Road Commission to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

#### Deposit and Investment risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing of authorized investments above. The Road Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Road Commission's investment policy does not have specific limits in excess of state law on investment credit risk.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned. State law does not require and the Road Commission does not have a policy for deposit custodial credit risk. As of September 30, 2008, \$248,426 of the Road Commission's bank balance of \$368,280 was exposed to custodial credit risk because it was uninsured and uncollateralized. Deposits in the amount of \$1,280,260 held by Cass County may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Road Commission.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Road Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Road Commission does not have a policy for investment custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Road Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. The Road Commission has no investments at September 30, 2008.

### 3. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

|   | Balance<br>October 1,<br>2007 | Additions             | Deductions        | Balance<br>September 30,<br>2008 |
|---|-------------------------------|-----------------------|-------------------|----------------------------------|
| <b>Capital assets not being depreciated:</b>            |                               |                       |                   |                                  |
| Land  | \$ 92,146                     | \$ -                  | \$ -              | \$ 92,146                        |
| Infrastructure - land improvements                      | 10,594,971                    | 53,592                | -                 | 10,648,563                       |
| <b>Total capital assets not being depreciated - net</b> | <b>10,687,117</b>             | <b>53,592</b>         | <b>-</b>          | <b>10,740,709</b>                |
| <b>Capital assets being depreciated:</b>                |                               |                       |                   |                                  |
| Land improvements                                       | 661,340                       | -                     | -                 | 661,340                          |
| Buildings and improvements                              | 7,493,262                     | (10,952)              | -                 | 7,482,310                        |
| Road equipment  | 8,023,435                     | 790,281               | 411,081           | 8,402,635                        |
| Shop equipment  | 205,901                       | -                     | -                 | 205,901                          |
| Office equipment  | 234,958                       | 4,078                 | 1,957             | 237,079                          |
| Engineers' equipment                                    | 48,829                        | -                     | -                 | 48,829                           |
| Yard and storage  | 168,189                       | -                     | -                 | 168,189                          |
| Depletable assets                                       | 603,771                       | -                     | -                 | 603,771                          |
| Infrastructure  | 44,028,646                    | 1,769,155             | -                 | 45,797,801                       |
| <b>Subtotal</b>   | <b>61,468,331</b>             | <b>2,552,562</b>      | <b>413,038</b>    | <b>63,607,855</b>                |
| <b>Accumulated depreciation and depletion:</b>          |                               |                       |                   |                                  |
| Land improvements                                       | 324,927                       | 87,190                | -                 | 412,117                          |
| Buildings and improvements                              | 1,459,777                     | 278,948               | -                 | 1,738,725                        |
| Equipment   | 7,538,711                     | 661,269               | 416,872           | 7,783,108                        |
| Depletable assets                                       | 73,463                        | -                     | -                 | 73,463                           |
| Infrastructure  | 24,361,331                    | 3,520,773             | -                 | 27,882,104                       |
| <b>Total accumulated depreciation and depletion</b>     | <b>33,758,209</b>             | <b>4,548,180</b>      | <b>416,872</b>    | <b>37,889,517</b>                |
| <b>Total capital assets being depreciated - net</b>     | <b>27,710,122</b>             | <b>(1,995,618)</b>    | <b>(3,834)</b>    | <b>25,718,338</b>                |
| <b>Governmental activities capital assets - net</b>     | <b>\$ 38,397,239</b>          | <b>\$ (1,942,026)</b> | <b>\$ (3,834)</b> | <b>\$ 36,459,047</b>             |

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### 4. LONG-TERM DEBT

Long-term debt of the Road Commission consists of the following:

|                           | <u>Beginning<br/>Balance</u> | <u>Increases</u>           | <u>Decreases</u>          | <u>Ending<br/>Balance</u> | <u>Due<br/>Within<br/>One Year</u> |
|---------------------------|------------------------------|----------------------------|---------------------------|---------------------------|------------------------------------|
| Bonds payable             | \$ 7,340,000                 | \$ 3,430,000               | \$3,515,000               | \$7,255,000               | \$ 250,000                         |
| Deferred amount           | -                            | (51,057)                   | (2,553)                   | (48,504)                  | -                                  |
| Installment loans payable | -                            | 735,740                    | 110,407                   | 625,333                   | 137,094                            |
| Compensated absences      | <u>145,367</u>               | <u>-</u>                   | <u>5,433</u>              | <u>139,934</u>            | <u>25,000</u>                      |
| <b>Totals</b>             | <b><u>\$ 7,485,367</u></b>   | <b><u>\$ 4,114,683</u></b> | <b><u>\$3,628,287</u></b> | <b><u>\$7,971,763</u></b> | <b><u>\$ 412,094</u></b>           |

Bonds payable at September 30, 2008 is comprised of the following individual obligations:

Michigan Transportation Fund Bonds (2003), payable  
in annual installments from \$105,000 to \$255,000,  
plus interest from 2.00% to 4.50% per annum;  
final payment due in October, 2027

\$ 3,435,000

Michigan Transportation Fund Refunding Bonds (2007),  
payable in annual installments from \$10,000 to \$285,000,  
plus interest from 3.45% to 4.13% per annum;  
final payment due in October, 2026

3,430,000

Michigan Transportation Fund Bonds (2002), payable  
in annual installments from \$55,000 to \$290,000,  
plus interest from 3.75% per annum;  
final payment due in October, 2010 – Unrefunded portion

390,000

**Total bonds payable**

**\$ 7,255,000**

### Lease Purchase Agreements

The Road Commission entered into two lease purchase agreements for certain equipment secured by the related equipment. Payment terms are as follows:

|                 | <u>Annual<br/>Payments</u> | <u>Interest<br/>Rate</u> | <u>Final<br/>Payment</u> |
|-----------------|----------------------------|--------------------------|--------------------------|
| 2008 - 3 Trucks | \$26,412 to \$79,236       | 4.65%                    | 1/13                     |
| 2008 - 3 Trucks | \$7,168 to \$86,016        | 5.35%                    | 10/12                    |



# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

Debt service requirements to maturity for the bonded indebtedness of the Road Commission are as follows:

| <u>September 30</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|---------------------|---------------------|---------------------|----------------------|
| 2009                | \$ 250,000          | \$ 291,057          | \$ 541,057           |
| 2010                | 260,000             | 282,814             | 542,814              |
| 2011                | 270,000             | 273,492             | 543,492              |
| 2012                | 275,000             | 263,484             | 538,484              |
| 2013                | 290,000             | 252,910             | 542,910              |
| 2014-2018           | 1,275,000           | 896,440             | 2,171,440            |
| 2019-2023           | 1,960,000           | 791,730             | 2,751,730            |
| 2024-2028           | 2,420,000           | 349,649             | 2,769,649            |
| 2029                | 255,000             | 12,113              | 267,113              |
| <b>Total</b>        | <b>\$ 7,255,000</b> | <b>\$ 3,413,689</b> | <b>\$ 10,668,689</b> |

Debt service requirements to maturity for the installment loans of the Road Commission are as follows:

| <u>Years Ending<br/>September 30</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|--------------------------------------|-------------------|------------------|-------------------|
| 2009                                 | \$ 137,094        | \$ 28,160        | \$ 165,254        |
| 2010                                 | 144,126           | 21,128           | 165,254           |
| 2011                                 | 151,520           | 13,734           | 165,254           |
| 2012                                 | 159,297           | 5,960            | 165,257           |
| 2013                                 | 33,296            | 326              | 33,622            |
|                                      | <u>\$ 625,333</u> | <u>\$ 69,308</u> | <u>\$ 694,641</u> |

During the year ended September 30, 2008, the Road Commission defeased \$3,285,000 of its 2002 bonds. The balance of defeased bonds outstanding as of June 30, 2008 was \$3,285,000, which represents amounts placed in escrow as part of this refunding.

The current year refunding was undertaken to reduce total debt service expenditures over the next 19 years by \$169,731 and resulted in an economic gain of \$121,483.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 5. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At September 30, 2008, interfund receivables and payables were as follows:

|                       | <u>Due From</u>   | <u>Due To</u>     |
|-----------------------|-------------------|-------------------|
| General Fund          | \$ -              | \$ 131,111        |
| Special Revenue Fund: |                   |                   |
| County Park Fund      | <u>131,111</u>    | <u>-</u>          |
|                       | <u>\$ 131,111</u> | <u>\$ 131,111</u> |

The Road Commission has interfund balances between its two funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The receivable from the parks special revenue fund to the general fund is due to payments made from the parks fund on behalf of the general fund expected to be reimbursed in the ensuing fiscal year.

### 6. DEFINED CONTRIBUTION PENSION PLAN

The Cass County Road Commission provides pension benefits for substantially all of its full-time employees through a defined contribution plan, called the Cass County Road Commission Retirement Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after completing one year of service. The plan requires the Road Commission to contribute, on behalf of each covered employee, seven percent (7%) of the employees' compensation, except overtime and disability payments made to hourly employees. Plan provisions and contribution requirements are established and may be amended by the Board of the Road Commission.

Participants may make voluntary contributions into the plan. The Road Commission's contributions for each employee (and interest allocated to the employee's account) are partially vested after three (3) years of continuous service and fully vested after ten (10) years of continuous service. The employee contributions become fully vested at the time of their contribution to the plan. Road Commission contributions for, and interest forfeited by, employees who leave employment before ten years of service are used to reduce the Road Commission's current-period contribution requirement. Vesting is based on years of participation in the plan. If the employee withdraws from the plan, that period of time is not included as time vested.

The Road Commission made the required contribution to the plan, amounting to \$110,856 and employee contributions were \$132,975 for the year ended September 30, 2008.

# **CASS COUNTY ROAD COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

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### **7. POSTEMPLOYMENT BENEFITS**

The Road Commission currently provides post retirement health care, dental and life insurance benefits to full time retirees. The contribution by the Road Commission during the fiscal year ending 2008 amounted to \$132,782.

The Governmental Accounting Standards Board has recently released Statement No. 45, "Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions." The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending September 30, 2009. Management is currently assessing the impact of this new accounting standard on the Road Commission's financial statements for future reporting periods.

### **8. RISK MANAGEMENT**

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1982, the Michigan County Road Commission Self-Insurance Pool (MCRCSIP) was established by the Road Commissions in the State of Michigan as a public entity risk pool to operate a common risk management and insurance program for Road Commissions. Cass County Road Commission pays annual premiums to MCRCSIP for its general insurance coverage. The agreement for formation of the MCRCSIP provides that MCRCSIP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event.

During 1980, Cass County Road Commission began participating in the County Road Association Self-Insurance Fund (CRASIF), a public entity risk pool established to operate a common risk management and insurance program for Road Commissions. Cass County Road Commission pays quarterly premiums to CRASIF for its workers' disability compensation insurance coverage. The agreement for formation of the CRASIF provides that CRASIF will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits.

Cass County Road Commission continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Management expects claims in excess of self-insurance coverage, if any, to be insignificant to the financial statements.

# **CASS COUNTY ROAD COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

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### **9. CONTINGENCIES**

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, Road Commission management does not believe such disallowances, if any, will be material to the financial position of the Road Commission.

\* \* \* \* \*

## **OPERATING FUND SCHEDULES**

# CASS COUNTY ROAD COMMISSION

## SCHEDULE OF CHANGES IN FUND BALANCE GENERAL OPERATING FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

|                                      | <b>PRIMARY<br/>ROAD<br/>FUND</b> | <b>LOCAL<br/>ROAD<br/>FUND</b> | <b>COUNTY<br/>ROAD<br/>COMMISSION</b> | <b>TOTALS</b>              |
|--------------------------------------|----------------------------------|--------------------------------|---------------------------------------|----------------------------|
| TOTAL REVENUE                        | \$ 3,360,150                     | \$ 2,832,196                   | \$ 227,438                            | \$ 6,419,784               |
| TOTAL EXPENDITURES                   | <u>1,565,948</u>                 | <u>4,780,038</u>               | <u>1,204,209</u>                      | <u>7,550,195</u>           |
| REVENUE OVER (UNDER)<br>EXPENDITURES | <u>1,794,202</u>                 | <u>(1,947,842)</u>             | <u>(976,771)</u>                      | <u>(1,130,411)</u>         |
| OTHER FINANCING SOURCES (USES)       |                                  |                                |                                       |                            |
| Proceeds from bond issuance          | -                                | -                              | 3,430,000                             | 3,430,000                  |
| Premium on bond issuance             | -                                | -                              | 26,389                                | 26,389                     |
| Payment to bond escrow agent         | -                                | -                              | (3,362,446)                           | (3,362,446)                |
| Proceeds from capital leases         | -                                | -                              | 735,740                               | 735,740                    |
| Internal transfers                   | <u>(1,947,842)</u>               | <u>1,947,842</u>               | <u>-</u>                              | <u>-</u>                   |
| Total other financing sources        | <u>(1,947,842)</u>               | <u>1,947,842</u>               | <u>829,683</u>                        | <u>829,683</u>             |
| NET CHANGE IN FUND BALANCES          | (153,640)                        | -                              | (147,088)                             | (300,728)                  |
| FUND BALANCE, beginning of year      | <u>2,110,538</u>                 | <u>-</u>                       | <u>821,319</u>                        | <u>2,931,857</u>           |
| <b>FUND BALANCE, end of year</b>     | <b><u>\$ 1,956,898</u></b>       | <b><u>\$ -</u></b>             | <b><u>\$ 674,231</u></b>              | <b><u>\$ 2,631,129</u></b> |

# CASS COUNTY ROAD COMMISSION

## SCHEDULE OF REVENUES GENERAL OPERATING FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

|                                | <b>PRIMARY<br/>ROAD<br/>FUND</b> | <b>LOCAL<br/>ROAD<br/>FUND</b> | <b>COUNTY<br/>ROAD<br/>COMMISSION</b> | <b>TOTALS</b>       |
|--------------------------------|----------------------------------|--------------------------------|---------------------------------------|---------------------|
| Intergovernmental:             |                                  |                                |                                       |                     |
| State:                         |                                  |                                |                                       |                     |
| Michigan transportation fund:  |                                  |                                |                                       |                     |
| Engineering                    | \$ 6,600                         | \$ 3,400                       | \$ -                                  | \$ 10,000           |
| Allocation                     | 2,450,064                        | 1,645,063                      | -                                     | 4,095,127           |
| Urban roads                    | 254,964                          | 61,998                         | -                                     | 316,962             |
| Other                          | 65,089                           | 60,880                         | -                                     | 125,969             |
| Federal:                       |                                  |                                |                                       |                     |
| Surface Transportation         | 247,957                          | -                              | -                                     | 247,957             |
| Bridge Program                 | 324,692                          | -                              | -                                     | 324,692             |
| Contributions:                 |                                  |                                |                                       |                     |
| Cities and Townships           | -                                | 988,065                        | 41,227                                | 1,029,292           |
| Other                          | -                                | 71,245                         | -                                     | 71,245              |
| Other revenue:                 |                                  |                                |                                       |                     |
| Charges for services           | -                                | 1,545                          | 3,715                                 | 5,260               |
| Permits                        | -                                | -                              | 43,649                                | 43,649              |
| Net gain on equipment disposal |                                  | -                              | -                                     | -                   |
| Interest and rentals           |                                  | -                              | 90,162                                | 90,162              |
| Other                          | 10,784                           | -                              | 48,685                                | 59,469              |
| <b>TOTAL REVENUE</b>           | <b>\$ 3,360,150</b>              | <b>\$ 2,832,196</b>            | <b>\$ 227,438</b>                     | <b>\$ 6,419,784</b> |

# CASS COUNTY ROAD COMMISSION

## SCHEDULE OF EXPENDITURES GENERAL OPERATING FUND

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

|  | <b>PRIMARY<br/>ROAD<br/>FUND</b> | <b>LOCAL<br/>ROAD<br/>FUND</b> | <b>COUNTY<br/>ROAD<br/>COMMISSION</b> | <b>TOTALS</b>       |
|--|----------------------------------|--------------------------------|---------------------------------------|---------------------|
| Primary road:                          |                                  |                                |                                       |                     |
| Preservation - structural improvements | \$ 232,063                       | \$ -                           | \$ -                                  | \$ 232,063          |
| Construction - capacity improvements   | 153,418                          | -                              | -                                     | 153,418             |
| Maintenance                            | 891,927                          | -                              | -                                     | 891,927             |
| Local road:                            |                                  |                                |                                       |                     |
| Preservation - structural improvements | -                                | 1,334,429                      | -                                     | 1,334,429           |
| Construction - capacity improvements   | -                                | 51,035                         | -                                     | 51,035              |
| Maintenance                            |                                  | 1,837,613                      |                                       | 1,837,613           |
| Primary winter:                        |                                  |                                |                                       |                     |
| Maintenance                            | 492,969                          | -                              | -                                     | 492,969             |
| Local winter:                          |                                  |                                |                                       |                     |
| Maintenance                            | -                                | 787,401                        | -                                     | 787,401             |
| Primary traffic control                | 82,824                           |                                | -                                     | 82,824              |
| Local traffic control                  |                                  | 76,498                         | -                                     | 76,498              |
| Equipment expense - net                | 57,894                           | 118,690                        | 48,075                                | 224,659             |
| Administrative expense - net           | 260,471                          | 574,372                        |                                       | 834,843             |
| Capital outlay - net                   | (605,618)                        | -                              | 362,621                               | (242,997)           |
| Debt Service:                          |                                  |                                |                                       |                     |
| Principal                              | -                                | -                              | 340,407                               | 340,407             |
| Interest                               | -                                | -                              | 166,547                               | 166,547             |
| Other:                                 |                                  |                                |                                       |                     |
| Miscellaneous                          | -                                | -                              | 286,559                               | 286,559             |
| <b>TOTAL EXPENDITURES</b>              | <b>\$ 1,565,948</b>              | <b>\$ 4,780,038</b>            | <b>\$ 1,204,209</b>                   | <b>\$ 7,550,195</b> |



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

February 26, 2009

Members of the Board of County  
Road Commissioners  
County of Cass, Michigan  
Cassopolis, Michigan

We have audited the financial statements of the governmental activities and each major fund of the **CASS COUNTY ROAD COMMISSION** as of and for the year ended September 30, 2008, and have issued our report thereon dated February 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Cass County Road Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Road Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Road Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the Road Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Road Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Cass County Road Commission in a separate letter dated February 26, 2009.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cass County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Road Commissioners, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

February 26, 2009

To the Board of Commissioners of the  
Cass County Road Commission  
Cassopolis, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Cass County Road Commission* (the “Commission”) for the year ended September 30, 2008, and have issued our report thereon dated February 26, 2009. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter dated January 9, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the *Commission*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of *Commission's* compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 20, 2009.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the *Commission* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements may be affected by unusual transactions, including nonrecurring transactions. The following significant unusual accounting transactions occurred during the year:

- During 2008, significant amounts of the *Commission's* bonds were in-substance defeased through the issuance of advance refunding bonds. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the difference between the amount placed in escrow to repay the refunded bonds and the carrying amount of the refunded bonds is being deferred and amortized as a component of interest expense over the remaining life of the refunded bonds.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 26, 2009.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *Cass County Road Commission* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive style with a large, prominent 'L' and 'J'.

# **Cass County Road Commission**

## **Comments and Recommendations**

**For the Year Ended September 30, 2008**

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In planning and performing our audit of the financial statements of the Cass County Road Commission (the "Commission") as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

### **Other Matters**

#### **Internal Controls – Segregation of Duties**

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Road Commission's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

As is the case with many Road Commissions of similar size, the Road Commission lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

## **Cass County Road Commission**

### **Comments and Recommendations (Continued)**

**For the Year Ended September 30, 2008**

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The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a Road Commission's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the Road Commission's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the Road Commission's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

The following areas were noted for improvement during the current year's audit:

*Payroll.* Currently, there is no formal review of the payroll register before payroll checks are issued. We recommend that the someone independent of payroll review, initial and date the register of each current pay before payroll is finalized in order to enhance the internal controls in this area. We also recommend that a report be created on a regular basis showing any changes in pay rates for employees which would be reviewed by the Manager and documented.

*Documentation.* During our audit procedures it was noted that while the Commission does have proper segregation of duties in many areas, there was no evidence documenting who prepared certain documents and who reviewed them. To help ensure proper segregation of duties there should be evidence of a preparer and reviewer of any work papers or reconciliations completed.

*Capital Asset Inventory.* The Commission has a significant amount of capital asset inventory recorded in its' financial statements. During our audit it was determined that there has not been a physical inventory taken which would compare the detailed asset listings to the actual items. We recommend that an inventory be completed on a regular basis of 3-5 years.



# **Cass County Road Commission**

## **Comments and Recommendations (Concluded)**

**For the Year Ended September 30, 2008**

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### **Credit Card Policy**

Currently, the Commission is using credit cards for small purchases or reserving rooms when travel is necessary for employees. Upon discussion with Management, the Commission does not currently have a credit card policy in place. We recommend that the Board adopt and approve a credit card policy stating the rules and conditions of its use.

### **Employee Dishonesty Bonds**

At the time of the audit, the Commission did not have an employee dishonesty insurance coverage in place. As a matter of sound business practices for any organization, and due to the increased revenue and expenditure activity over the last several years, we recommend that the Commission procure this insurance. We understand that the Commission has purchased this coverage in 2009.

\* \* \* \* \*